

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 AGR-05 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 IGA-01 PA-01

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FM AMEMBASSY WELLINGTON

TO SECSTATE WASHDC 9137

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E.O. 11652: N/A

TAGS: EAGR, NZ

SUBJECT: NZ EMERGENCY MEASURES TO AID AGRICULTURE

DEPT PLEASE PASS AGRICULTURE, FAS, HUME

1. PM ROWLING ANNOUNCED JANUARY 24 EMERGENCY MEASURES TO
RESTORE CONFIDENCE IN THE FARM SECTOR.

2. PROPOSALS ARE:

(A) NZ\$15 MILLION FOR WOOL PRICE STABILIZATION.

(B) NZ\$35 MILLION FOR LAMB PRICE STABILIZATION.

THESE TWO ARE DIRECT GRANTS AND ARE NOT REPAYABLE OR INTEREST
BEARING AND ARE EFFECTIVE IN 1975/76 SEASON.

(C) AN IMMEDIATE SUBSIDY OF NZ\$7.50 PER TON FOR COMMERCIAL
APPLICATION OF FERTILIZER AND NZ\$5.00 PER TON FOR FARMER
APPLIED FERTILIZER.

(D) SUSPENSION OF ALL MEAT INSPECTION FEES THAT ARE
PRIMARILY BORNE BY THE PRODUCERS. THESE FEES ARE ESTIMATED
AT NZ\$9 MILLION IN 1974-75 SEASON.

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(E) WAIVING OF ALL INTEREST ON SPECIAL FARM ASSISTANCE

LOANS UNTIL JULY 1977.

3. UNDER THE PROPOSAL ALL WOOL WILL BE SUPPORTED AT AN AVERAGE PRICE OF 93 CENTS PER KILO GREASY BASIS.

4. LAMB PRICES WILL BE SUPPORTED AT \$NZ 7.00 PER HEAD AVERAGE DRESSED WEIGHT 13.6 KILOS RETROACTIVE TO OCTOBER 1, 1974. THIS IS \$NZ 1.00 HIGHER THAN PRESENT BOARD SUPPORT PRICE. STORE STOCK PRODUCERS WILL BE COMPENSATED AT 60 CENTS PER HEAD ON STOCK ALREADY SOLD.

5. FERTILIZER SUBSIDY IS ESTIMATED TO COST \$NZ 45.5 MILLION IN 1974-75 SEASON AND \$NZ 60 MILLION IN THE 1975-76 SEASON DEPENDING UPON USAGE.

6. FERTILIZER APPLICATION SUBSIDY IN ADDITION WILL BE EFFECTIVE ON OR AFTER JANUARY 24, 1975, AND WILL APPLY ONLY TO FERTILIZER SPREAD BEFORE JULY 1, 1975.

7. P.M. POINTED OUT THAT WOOL PRICES HAD DROPPED 40 PER CENT. LAMB PRICES DROPPED 35 PER CENT AND BEEF PRICES DROPPED 60 PER CENT SINCE JANUARY 1974.

8. MR. ROWLING STATED THAT EMERGENCY MEASURES WERE NECESSARY TO STABILIZE LIVESTOCK NUMBERS WED INSTILL CONFIDENCE IN ORDER TO TAKE ADVANTAGE OF BETTER MARKETS LATER.

9. THE P.M. EMPHASIZED THAT IT WAS THE GOVERNMENT'S CLEAR OBJECTIVE TO ESTABLISH A COMPULSORY INCOME STABILIZATION PLAN TO IRON OUT PEAKS AND VALLEYS IN FARM INCOME. HE ANNOUNCED THAT THE ZANETTI COMMITTEE (HEADED BY A VICTORIA UNIVERSITY ECONOMIST OF THAT NAME) HAD BEEN WORKING ON LONG TERM INCOME STABILIZATION AND WOULD REPORT IN FEBRUARY.

10. COMMENT:
IT IS SIGNIFICANT TO NOTE THAT NO MENTION WAS MADE OF SUPPORTING BEEF PRICES AND THIS IS SECTOR HARDEST HIT. NEW ZEALAND ARGUMENT FOR ACCESS TO WORLD'S BEEF MARKETS HAS BEEN BASED ON RELATIVELY UNSUBSIDIZED INDUSTRY.

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11. FARM INCOME STABILIZATION SCHEME IS HOTTEST ISSUE BETWEEN GOVERNMENT AND FARMING COMMUNITY BUT WITH PRESENT FINANCIAL CONDITION OF FARM ECONOMY, FARMERS MAY HAVE LITTLE CHOICE. NEW ZEALAND MEAT BOARD'S PRODUCER RESERVES OF \$NZ 90 MILLION WILL BE QUICKLY DISSIPATED ON SUPPORT OF MEAT MARKET AND FEAR OF PRODUCERS IS COMPLETE TAKEOVER OF BOARD BY GOVERNMENT.

12. DIRECT FARM SUBSIDIES ALREADY COSTING \$NZ 70 MILLION

IN 1974-75 SEASON AND WITH NEW PROPOSALS FIGURE WILL CLIMB
SHARPLY.
SELDEN

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